

Fund objective

To outperform the iBoxx Sterling Non-Gilt Index over 15 years by 0.75% p.a. over rolling three year periods, before charges.

Fund manager

Paul Whelan

Benchmark

iBoxx Sterling Non-Gilt over 15 years Index

Fund size

£120.13 m

No of holdings

131

Launch date

30 March 1999

Gross redemption yield

4.82%

Duration (modified, semiannual)

12.78%

Convexity (semi annual)

2.38

Further information

www.avivainvestors.com

Fund summary

The Long Dated Corporate Bond Fund invests in sterling denominated sovereign, sterling denominated supranational and non-UK corporate bonds which offer a higher yield than government bonds of similar maturity in compensation for their greater risk of default. This fund has a benchmark of the iBoxx Sterling Non-Gilt over 15 years Index*.

Fund comment

The Fund outperformed its benchmark. Sterling corporate bonds produced positive total returns over the quarter with the fund benchmark - iBoxx Corporate Bond Non-Gilts over 15yr index - returning 3.8 per cent. Returns were primarily attributable to underlying UK government bonds, which rallied on the back of a series of worse than expected macroeconomic data, and continued anxiety over the Euro Zone debt crisis.

We targeted a series of risk scenarios to take advantage of market uncertainty, favouring longer dated bonds in anticipation of a flight to quality in the gilt market. To this end, the Fund favoured gilts in preference to bonds issued under government guarantee, such as Italy and Hungary and European supranationals such as the European Investment Bank (EIB). This proved to be an effective strategy as Italian and Hungarian bonds came under significant selling pressure. Bonds issued by EIB also sold off as investors questioned the viability of its AAA investment grade rating.

The fund also favoured bonds issued by the Tobacco industry such as British American Tobacco and Imperial Tobacco. These companies have strong positive cash flow and during periods of volatility proved popular with investors.

We retain a constructive view on corporate credit. Large corporations remain the one sector of developed market economies that have demonstrated both a willingness, and ability to significantly reduce debt

Source: Aviva Investor/Bloomberg as at 31 December 2011
Basis: Mid to mid, Income reinvested, before charge, in Sterling

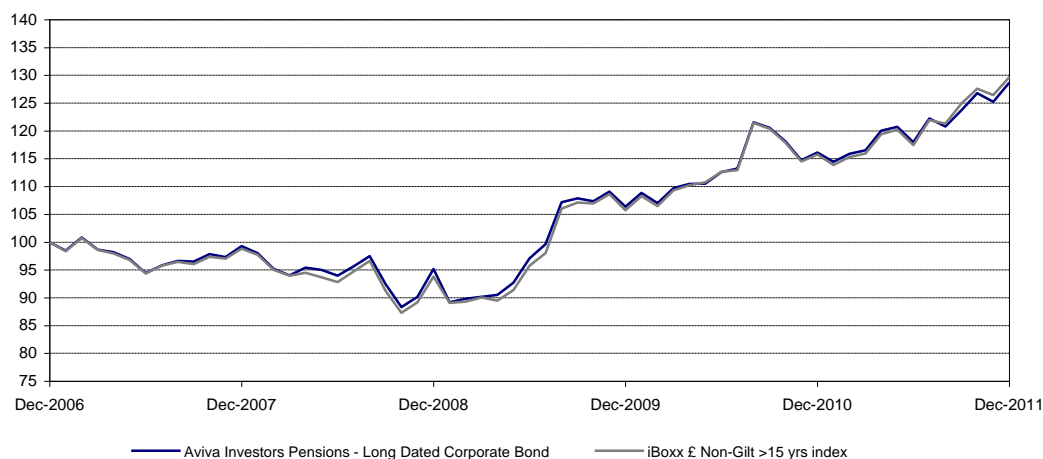
Fund performance (%)

	3 Months	Year To Date	1 Year	Annualised		
				3 yrs	5 yrs	10 yrs
Fund	4.0	10.8	10.8	10.6	5.2	6.2
Benchmark	3.8	12.0	12.0	11.4	5.3	6.2
Relative †	0.2	-1.1	-1.1	-0.8	-0.1	0.0

Past performance is not a guide to the future

Source: Aviva Investor/ Lipper Hindsight as at 31 December 2011
Basis: Mid to mid, Income reinvested, before charge, in Sterling

Fund performance vs Benchmark (%) 5 years



Source: Aviva Investor/ Lipper Hindsight as at 31 December 2011
Basis: Mid to mid, Income reinvested, before charge, in Sterling

Additional information

* Prior to July 2003, the fund's benchmark was Warburgs Over 15 years Index.

Credit rating

Rating	Fund	Benchmark	Relative
AAA	25.85	25.31	0.54
AA	18.79	22.03	-3.24
A	39.35	38.56	0.79
BBB	14.34	14.10	0.24
BB	0.47	0.00	0.47
B	0.00	0.00	0.00
CAA	0.00	0.00	0.00
Other	1.20	0.00	1.20
Total	100.00	100.00	0.00

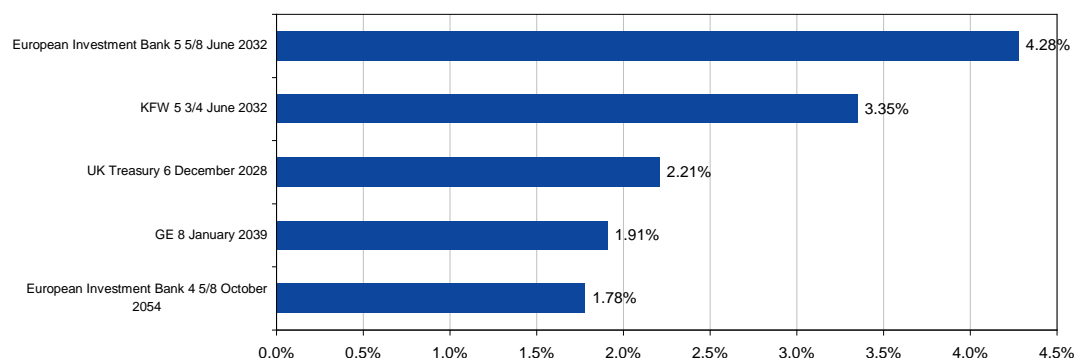
Source: Aviva Investors/BDRISIS/ThinkFolio as at 31 December 2011
Basis: Includes cash, unassigned & derivatives

Maturity rating

Maturity	Fund	Benchmark	Relative
0-3m	0.00	0.00	0.00
3m - 1Y	0.20	0.00	0.00
1-3 yrs	0.00	0.00	0.00
3-5 yrs	0.00	0.00	0.00
5-7 yrs	0.00	0.00	0.00
7-10 yrs	0.47	0.00	0.00
10-15 yrs	4.80	0.85	3.95
15-20 Yrs	29.46	38.98	-9.52
20+ Yrs	65.07	60.17	4.90
Total	100.00	100.00	0.00

Source: Aviva Investors/BDRISIS/ThinkFolio as at 31 December 2011
Basis: Includes cash, unassigned & derivatives

Largest holdings



Source: Aviva Investors/BDRISIS/ThinkFolio as at 31 December 2011
Basis: Includes cash, unassigned & derivatives

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† Performance has been calculated on a geometric relative basis

There are two methods of comparing a fund against a benchmark, the geometric relative or arithmetic, 'simple difference'. Aviva Investors uses the geometric relative. This is a ratio of out/under performance rather than simply the Fund Return less Benchmark Return. We believe this is a more realistic measure of out/underperformance particularly for comparisons between short and long term performance. The different calculations are shown below.

Performance Calculation:

Arithmetic Relative = Fund Performance – Benchmark Performance

Geometric Relative = $[(1 + \text{Fund Return} / 100) / (1 + \text{Benchmark Return} / 100) - 1] * 100$

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